

**COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION**

FISCAL NOTE

L.R. No.: 0971-03
Bill No.: SB 579
Subject: Attorney General, State; Charities; health Care; Hospitals; Insurance - Medical;
Insurance Department; Health Department
Type: Original
Date: March 14, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Attorney General (AGO)** assume there would be very few conversions subject to review under this proposal in any given year. The AGO states while the review process has historically required significant staff time, travel, etc., the AGO assumes any costs could be absorbed with existing resources.

Officials from the **Department of Insurance (INS)** state this proposed legislation adds a layer of potential review to the proposed acquisition of a nonprofit health entity by a for-profit entity. The INS states it may also require more information to be obtained and reviewed by the INS, since the INS would now have to make a report and recommendation to the AGO before the acquisition could be approved. The INS assumes that these duties could be handled with existing staff.

Officials from the **Secretary of State Office (SOS)** state this proposal subjects nonprofit health entities to additional review by the Attorney General before they can convert to for-profit entities. Based on experience with other divisions, the rules, regulations and forms issued by the Attorney General could require as many as 12 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the

Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated. The ASSUMPTION (continued)

estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the Code is \$27. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn. The SOS estimates the cost for FY 04 only to be \$738 [(12 pages x \$27) + (18 pages x \$23)].

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Health and Senior Services (DOH)** assume that there would be an indeterminate cost to the DOH, in publishing the applications in the newspapers in the hospital's service area and in notifying persons by first class mail that the application had been filed. The DOH cannot be determined how many applications might be received, but the DOH assumes the number probably won't be significant. The DOH assumes it could absorb any costs associated with this part of the legislation. However, if the proposal were to substantially impact any DOH programs, the DOH would request funding through the legislative process.

The DOH states it would also be required to review the applications and submit recommendations to the Attorney General as to whether to approve the applications. The DOH assumes that this could be accomplished with existing staff.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses which are non-profit health entities could be affected by this proposal.

DESCRIPTION

This proposal subjects a nonprofit health entity to additional requirements prior to the nonprofit health entity entering into any agreement or transaction to convey its assets to a for-profit corporation or entity.

Any entity or corporation making such an acquisition in a nonprofit hospital must first apply to the Attorney General (AG) and the Department of Health (in cases involving nonprofit hospitals) or the attorney general and the department of insurance (in cases involving nonprofit HMOs or health services corporations). The application shall include a copy of the acquisition agreement, a financial and economic analysis and any other relevant documents requested by the AG. (Section 355.903)

The Department of Health and Senior Services or the Department of Insurance must publish notice of the application within 10 days after receiving the application in a local newspaper and shall notify individuals who have requested such notice. If the AG decides to review the application, the appropriate department will review the application and forward its recommendation to the AG as to whether the application should be approved.

The AG has 15 days to decide whether to review the application and if the AG decides to review the application, he or she must approve or disapprove the application within 75 days after deciding to review. The AG shall hold at least one public hearing. The AG shall not approve the acquisition unless the AG finds that the acquisition is in the public interest. The AG must consider a variety of factors outlined in the act to determine whether it is in the public interest. The AG may conditionally approve an application.

A person with a legal interest in a nonprofit health entity may obtain judicial review of the AG's decision. Venue for the appeal shall lie in Jefferson City. The AG's decision shall be approved unless there was an abuse of discretion.

The act limits conflicts of interest between the buyer and the nonprofit health entity and between the buyer and any nonprofit charitable institution which may receive assets.

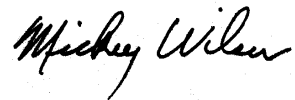
The Department of Health and Senior Services or the Department of Insurance, in the appropriate case, may suspend or revoke a nonprofit health license if this act is violated (e.g. failure to get approval under this act or failure to follow conflict of interest rules).

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This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Attorney General
Department of Health and Senior Services
Department of Insurance
Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

MICKEY WILSON, CPA
DIRECTOR
MARCH 14, 2003